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C O N F I D E N T I A L ASUNCION 000569

SIPDIS

E.O. 12958: DECL: 2019/09/11  
TAGS: [PREL](#) [MASS](#) [PGOV](#) [MOPS](#) [PA](#)  
SUBJECT: REGIONAL TENSIONS MOVE PARAGUAY TO CANCEL NEW HORIZONS  
EXCERCISE IN 2010

CLASSIFIED BY: Perry Holloway, DCM; REASON: 1.4(A), (D)

11. (C) SUMMARY: The GOP declined a USG a 2010 DOD-sponsored training and humanitarian exercise due to regional tensions over the Colombia-U.S. Defense Cooperation Agreement (DCA). President Lugo's moderate stance on the DCA agreement at Union of South American Nations (UNASUR) meetings received criticisms from the Presidents of Venezuela and Ecuador. Lugo's position on the DCA, combined with his need to negotiate a better deal for Paraguay's 300 million-plus USD oil debt with Venezuela, left Paraguay little choice but to cancel this exercise which would involve more than 400 DOD personnel and would be used to fan significant anti-U.S. sentiment. At the same time, all signs indicate that Paraguay wants to continue all other planned mil to mil activities with the USG and Embassy does not believe that this is a weakening of our overall relationship with Paraguay. Embassy continues to engage Paraguay on formally defining our broader mil-to-mil relationship and also on ensuring that our DOD personnel are adequately protected when in Paraguay. END SUMMARY.

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DOUBTS AROSE ABOUT NEW HORIZONS  
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12. (C) Since late 2008, post has been planning for a mid-2010 New Horizons training and humanitarian exercise involving more than 400 DOD personnel, very similar to the last New Horizons exercise in Paraguay in 2004. Paraguay's service chiefs were supporting planning for the exercise. However, due to recent regional discussions at the Union of South American Nations (UNASUR in Spanish) regarding the Colombian-U.S. Defense Cooperation Agreement (DCA), GOP reservations about supporting a New Horizons exercise began to emerge. Significant numbers of mission planners, contracting personnel, engineers and others (over 50 in the next three weeks) were slated to begin arriving to refine the planning and logistics for the exercise. Embassy did not want USG to spend significant funding on planning an exercise that would later be cancelled by the GOP. As a result, in recent weeks Ambassador and EmbOffs began to vigorously engage a number of GOP ministers and the Joint Chief of Staff for the Paraguayan Armed Forces to see if they supported New Horizons at this time.

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#### PARAGUAY CANCELS DUE TO REGIONAL CONCERNS

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13. (C) Late September 9, the Ministers of Defense and Foreign Affairs, the Joint Chief, and Service Chiefs met with President Lugo on defense issues, including New Horizons. After meeting, GOP Joint Chief told us that in light of regional concerns about the U.S. presence in Colombia and the size of the exercise, they could not agree to such a joint operation. He said that they would continue all other planned mil to mil programs and looked forward to working closely with us in the future. He stressed that Paraguay wanted our cooperation, but urged us to watch "the size" of our projects to not inflame negative regional sentiments. COMMENT: Shortly after being elected last year, President Lugo had asked the Ambassador for this type of humanitarian assistance, telling us that he saw it as an opportunity to strengthen Paraguayan military's civil affairs capacity, particularly in neglected areas of the country. However, the number of US troops coming in clearly gave Paraguay cold feet in light of all the regional issues. END COMMENT

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#### COLOMBIA-U.S. DCA AND OIL DEBT CONTRIBUTE TO DECISION

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14. (C) At the first UNASUR meeting discussing the DCA, Paraguay clearly defended Colombia's right to sign a base access agreement with the U.S., and said that the DCA was plainly a bilateral issue between Colombia and the U.S. Lugo himself told the Ambassador after that UNASUR meeting that if UNASUR does this to Colombia, it should look at other agreements in the region, like Venezuela's agreement with Iran or Bolivia's significant pending arms purchases from Russia. Lugo also told Ambassador that he was chastised by Presidents Chavez and Correa for not vigorously supporting their position on the DCA. At the most recent UNASUR meeting, while Lugo did not vigorously defend Colombia's right to sign the DCA, he also did not clearly go over to the Chavez/Correa position. COMMENT: It is important to note that Paraguay is currently renegotiating its more than \$300 million oil debt with Venezuela, which is Paraguay's almost sole supplier of fuel. This oil debt, along with Lugo's support to Colombia and the U.S. on the DCA issue, may have left him little choice but to reject New Horizons at this time. END COMMENT).

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#### MOD MOST CONCERNED ABOUT NEW HORIZONS

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15. (C) Ministers of Health and Education and service chiefs expressed initial support for the exercise, but we should note that MOD Bareiro has been reluctant to discuss the exercise. Embassy sources indicate that MOD is sympathetic to the far left and is the person representing Paraguay at the upcoming UNASUR Security Council meeting in Quito next week. At the time the decision to cancel New Horizons was made, Paraguay was being visited by the Bolivian Ministers of Defense and Foreign Affairs to discuss Paraguay's concerns regarding Bolivia's plans for significant arms purchases from Russia.

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ROBUST MIL TO MIL PROGRAM CONTINUES  
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16. (C) COMMENT: Embassy does not believe that the GOP's decision to decline New Horizons is a negative signal to us in our overall relationship or our in our mil-to-mil relationship. We believe that this is more a timing issue exacerbated by regional tensions over the Colombia-U.S. DCA. Embassy will continue a regular dialog with Paraguay on the full range of military issues and we will seek input from the GOP as to how we can implement New Horizons-like exercises in the future. We believe the Paraguayan Joint Chief was sincere when he told us that our normal mil to mil activities will continue and we have heard nothing from the President or Foreign Minister to indicate otherwise. We are engaging Paraguay on how we can improve and formalize our broader mil-to-mil relationship and ensure that our DOD personnel are adequately protected when in Paraguay. Ambassador personally called USSOUTHCOM Commander General Frasier to personally apprise them of this development.  
END COMMENT.  
AYALDE